PART II

THE MANUFACTURERS' OUTLOOK TOWARD MARKETING

THE MANUFACTURERS' AIM Notwithstanding the usual aim to make a big profit, the manufacturer of cigars is faced with the problem of maintaining brand supremacy over a long period of time, as his biggest asset, the brand name, is intangible and cannot build or cut shortsales expectancies in a short period. Soundness rather than conservatism is the policy of the cigar interests and constancy must be retained to produce the largest profit over a long period of years - the ultimate object of any business which is forced to continue running by virtue of the non-liquidity of its major asset.

The aim of a manufacturer of a nationally distributed group of cigars is stated by the General Cigar Company as follows:

1. To make a strong national brand.
2. To make the quality and merit of their cigars known to smokers and dealers.

The means by which this will be obtained are:

1. Maintenance of actual superior quality.
2. Persistent national advertising.
3. Distribution everywhere the advertising reaches
4. Intelligent salesmanship.

The aim of a manufacturer catering to a local group is very similar to a national aim, but lacks the fullness of flexibility and the sweeping success of good management. Permanence in a local cigar industry will remain so long as local managements can keep apace with national methods, but when national cigars find clever sales methods which the local man cannot apply they have a specific advantage and a chance to weaken the local brand's hold.

MANUFACTURING TRENDS The cigar industry is revolutionizing itself and falling into fewer hands. In order to take advantage of national distribution and its inherent advantages, consolidations have taken place throughout all parts of the industry. In 1921 there were eleven factories making over 40,000,000 cigars per year; in 1926 twenty-three reached the mark with 25% of the country's production; and by 1929 almost half (47%) of the domestic cigars were made by 37 of the larger units. While this concentration has been going on the number of factories fell off from 10,247 to 8,378 during the 1925-29 period, and is falling even more rapidly at present.

While cigar factories are closing their doors and while there is also a drop in the total market for cigars, it might first appear that there is a good

balance during the readjustment period. It is not on the strength of picking up the trade from other businesses that the cigar industry may become profitable as a whole, for up to the present the general method of getting cigar sales was drawing consumers away from other brands. Though it is still practiced to a great extent, many have come to realize that whatever is done to steal business rather than create it can be counteracted by equally schemey methods, resulting in loss to both parties.

Readjustment in the cigar industry should not take long, as it has the precedent of the cigarette to follow. Wholesale pessimism applicable to hat pins, gaiters and buggy whips has gone. Mass production has loomed up as the only solution to the present complexities and this has been made possible by the development and perfection of the cigar making machine. At present over 70% of the cigars smoked are made by machine compared to 60% in 1930.

For permanence in cigar sales national combinations have become necessary. The old method of offering a wholesaler or dealer a special discount or a large profit is not permanent, as the next manufacturer may come and do the same thing. Creation of consumer demand for a brand is substantial and, as the fixed costs of manufacture fall, more flexibility is permitted for

development of the individual's desire to buy brands.

THE CIGAR MAKING MACHINE: Necessity had become the mother of invention as far as the cigar-making machine is concerned. The insistance that the cigar could not be made by machine as well as by hand merely stimulated the early completion of the mechanical details of the machine which when fed by four girls would yield an output equal to that of fifteen cigar makers.

Labor in hand made cigars is the most important factor. To uphold wage standards throughout the industry, the Cigar Makers International Union of America became a powerful organization which ranked as one of the biggest units in the American Federation of Labor. The inroad of the cigar-making machine reduced this organization in power to such an extent that the union-made label has become of practically no meaning even though it exists on many brands of cigars today.

Cigar makers can produce an average of about 300 cigars a day with a maximum of 350 cigars for the highly skilled workers. In Boston union wages were $19.50 per 1000 cigars, but reduction was voluntary and the scale of $16.00 per 1000 is now in effect. For a five-cent cigar which must sell around $38.50 per 1000 the labor cost is so far out of proportion as to make it impossible for a cigar maker to earn a living and receive what the manufacturer can afford to pay. The cigar maker is being forced to the higher grade of

cigars but is being eliminated entirely by the machine where there is enough volume to busy a machine.

A cigar-making machine requires an investment of $4500. It is the capital required for this installation that is forcing the small men out of business. A machine of this type cannot be idle often, nor can it be sped up to take care of additional sales, with the result that it is rather risky to tie up capital in equipment which cannot help but make a factory be over-capacitated in falling cigar volume.

Many cigars are only partially machine made and as a result, manufacturing costs range from $8.00 to $21.00 per 1000. The analysis of cost per 1000 cigars for a completely mechanized unit is as follows:

$4.20	-	Women cigar machine operators (4) @ $1.05
1.00	-	Royalty for use of machine
.50	-	Machinists and foreladies
.75	-	Stripping tobacco of wrappers and binders
.55	-	Cellophane cost and wrapping machine
.40	-	Cigar bands and banding machines ($600 rent per year)
1.75	-	Labor for packing, banding, and wrapping and container costs
$10.15	-	Constant cost of manufacture per 1000

Machinery should iron the seasonal trends out of manufacture and thereby require less plant equipment. In the cigar industry all that is required of the machinery is to keep up with shipments. Idleness is

nevertheless too costly and from the production volumes of the past few years as indicated on the graph in Appendix A, it is clear that the high fluctuations are being eliminated especially in Class C cigars. Though there is no conclusive evidence that the cigar-making machine has been a large factor in levelling production, by sales forecasts and reliance on constant machine production it is advantageous to keep far ahead of "hand to mouth" manufacture through accurate control of inventory of finished goods.

Cigar makers are flexible in their ability to make all shapes and sizes of cigars, but machines are confined to the type for which they are used. If the machines, therefore, can work constantly and the hand workers be varied to suit special needs, a good balance of manufacture may be obtained. For the cheaper grades of cigars there is an over-capacity of machinery in view of expansion with the possibility of following sales very closely, but for most efficient operation machines must be run continually.

When machines first came into use with their resultant savings in manufacturing cost, the prices on cigars were not dropped. Those with machines merely took in the profits and let the others continue at their hand manufacturing methods. When finally it became a necessity to drop prices, the machine manufacturer was not so sure of himself, as idleness costs and risk in lowered income

created an unsteady feeling. A small drop in prices was easily followed by hand manufacturers and those who would have been put out of business by a quick stunning blow when machines were first installed, remained as continual competition. If machinery cannot displace the inefficient by its savings it is hardly worth installing, but the cigar industry, like many others, is so opposed to radical changes and set in marketing methods that good business principles could not be applied.

HAND MANUFACTURE Though machinery has displaced cigar makers in the large factories there are still many cigars made by hand which sell in large volume. Opposition to the machine-made cigar has been upheld on the grounds that: (1) the metallic touch affects the taste of tobacco; (2) tobacco taste is spoiled by the absorption of oil vapor from the machine; (3) wet tobacco produces a tight cigar and girl operators don't care and don't know how moist tobacco should be; (4) the filler cannot be fed to the machine in correct quantities; (5) where binders and wrappers are pieced by cheap labor the cigar drys out much quicker; (6) adjustments cannot be made for tobacco which is not standard.

Though none of the above objections can be definitely substantiated, there is still the prejudice against machine-made cigars and an under-

standing that fine cigars are hand-made. A selling price of five cents is the lowest price for a full-size constantly selling hand-made domestic cigar, making it apparently difficult to compete with machine manufacturers of the same grade of cigar. Nevertheless the small shop with little overhead which is ready to pull down its sign if sales fall off is in a strong position if the cigar industry is going to have a continual volume reduction. Where plant equipment must be shrunk at an unsteady and indeterminable rate, as apparently might happen in cigar manufacturing, the economic advantages of the machinery are obliterated. Running at full capacity the machine manufacturer can drive the cigar-maker into a dormant condition, but when prices cannot be cut to the extent to which savings are made by machinery, the hand manufacturer still will retain his power.

In Boston it is said that there are 400 cigar makers who have been thrown out of employment, who are making cigars at home or in groups and selling them to their friends and to whomever they can. These men have the cost of tobacco and boxing as their only expenses and anything additional is their salary. These cigars are sold both at high prices and quite cheaply, as can be realized from the conditions of manufacture, and are estimated to sell 10,000,000 per year through their contacts. They have as their biggest

selling point, the fact that labor and not machinery has made the product; and labor's friends and laborers themselves buy the product.

The three leading local hand made cigars sold in Boston are those manufactured by Driscoll & Fitzgerald (Elcho cigars), the Silver Cigar Company (M.C.A.), and S. S. Pierce Company (Overland). The first two with a combined volume of about 3,000,000 a year, selling at 10¢, 5 for 45¢, and the latter with about 13,000,000 per year selling mostly at 2 for 25¢, retain a firm hold on the market. The Overland cigar held its price of $100 per 1,000, less 5%, through the period of cigar price adjustment and in 1931 lost only 2% of their sales. The Elcho cigar sells at $85 per 1,000 less 8% and 2%, netting $76.64. Both of these cigars give the retailer a big margin of profit and are carrying their sales on the brand name.

Hand made cigars of the higher prices are mostly riding their brand name and goodwill to its inevitable destruction. They are taking advantage of whatever belief the public has that the hand made cigars are better and are stressing that misinformation as a sales point. No machine manufacturer has been brave enough to come out and say that machine made cigars are in every way as good as hand-made cigars and where two cigars are the same price, one

made by machinery and the other by hand, the consumer is paying for labor rather than tobacco quality in the second case.

LOCALIZATION OF MARKET Cigar manufacturers have attempted nationalization with partial success. Brands have been discontinued in many localities but the local preferences of smokers must not be disregarded. Where local brand good will is destroyed and a national brand replaces it, the result has been very expensive. It seems better to start a national brand to drive out the others, similar to the policy Cremo cigars have taken, than to force a different brand in place of an old one.

Cigar businesses have in the past been very profitable and therefore sprung up in great quantity in every locality. It was difficult to obtain even sectional predominance due to the ability of the local man to undersell to the wholesaler with an equal quality of goods. Those that built up strong local power are entrenched to such an extent that national competition cannot shake the better grade of local cigars from the market. In Boston the J.A., 7-20-4, Harvard, Overland, M.C.A., and Elcho cigars buck the national brands, such as El Producto, Robert Burns and Blackstone, with considerable success. Local brands which are not improved on by national brands cannot be weakened and whenever

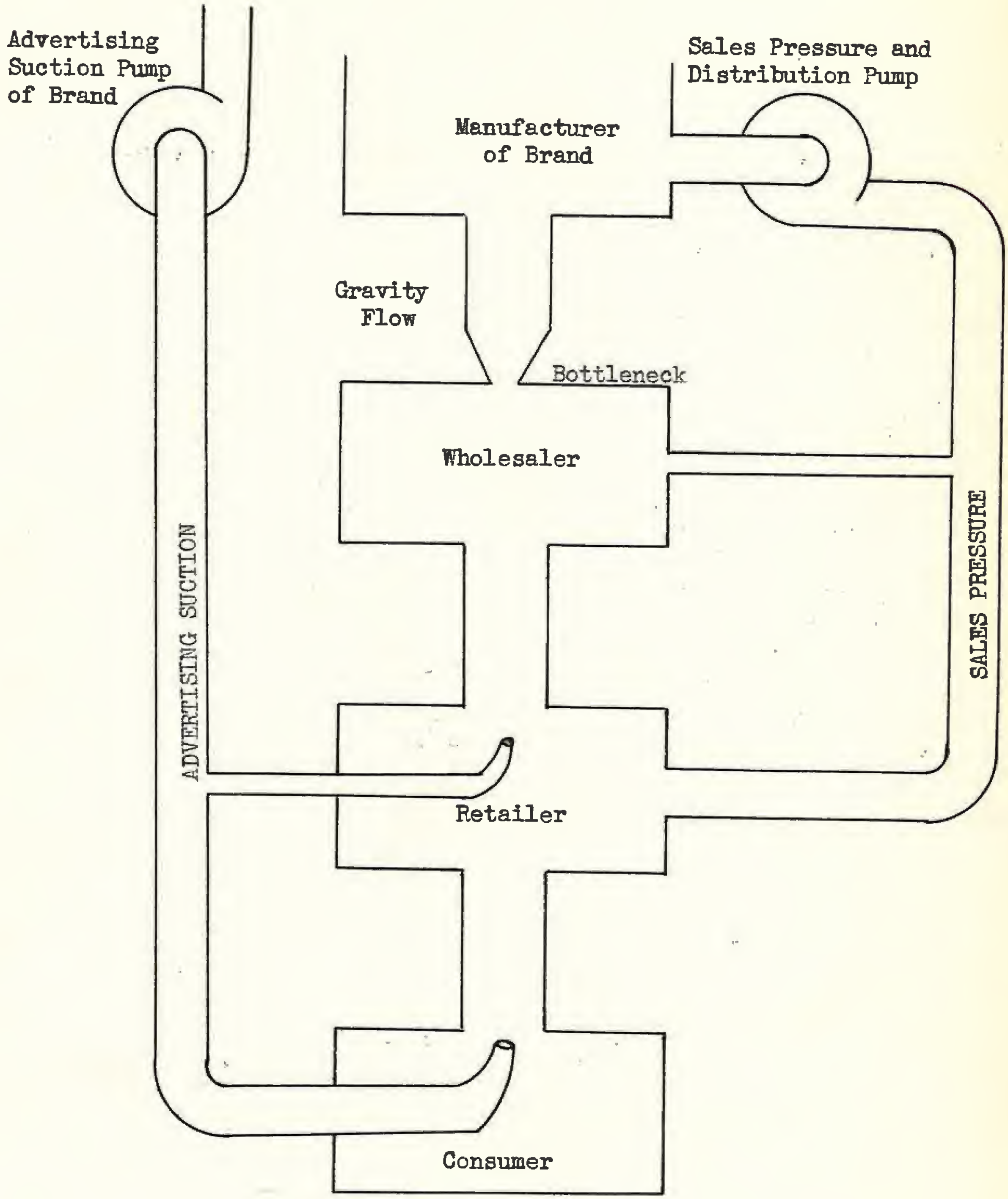
national brands start on a specific campaign in advertising, sales procedure or marketing policy the brands fall in line as a counteraction.

An urban center has surrounded itself with characteristics which the cigar manufacturer who is an insurgent must realize. Methods applicable to one city may not be applicable to another and where local companies can appreciate this fact, the national organizations have not as yet done the research to know how to conquer existing conditions.

<u>OUTLET CHANNELS OPEN TO THE MANUFACTURER</u> The more parties through whom cigars have to go to reach the consumer the weaker any efforts made by the manufacturer will become. The most deadening influence in the line of distribution is the wholesaler who is concerned with supplying what the retailers ask for and nothing more. The brand name originates with the manufacturer in most cases (D.Emil Klein Company of New York, nevertheless makes the Overland cigar for S. S. Pierce Company, wholesalers) and to cause the ultimate sales the brand name and quality must be forced through the channels of distribution and not merely coaxed.

The manufacturer, wholesaler, retailer and consumer, in sequence, is the usual procedure of distribution. Under conditions of this sort the present means of establishing flow is illustrated on the following page. The manufacturer who wishes to remain inde-

DIAGRAMATIC SCHEME OF ADVERTISING AND
DIRECT SELLING TO PRODUCE FLOW OF CIGARS



pendent of the cooperation of others acts as a pump, drawing a vacuum with advertising, displays and sampling, and building up a pressure with salesmanship. This method keeps all the profits from sales in the hands of the manufacturer and gives him complete control of any action which is taken. The wholesaler has become a medium supplying service and the retailer is coerced into carrying the brand by the pressure of the manufacturer's salesmen, while the suction of customer demand and advertising keeps the flow moving through him even more rapidly. The cigar manufacturer, therefore, differs from the cigarette manufacturer in the method of producing flow. The cigarette sales procedure is suction on the consumer, while cigar manufacturers have found it necessary to apply their energy at every loophole. One of the big arguments for consolidation into a few brands of cigars, nationally distributed, would be the elimination of the competing effort of the present manufacturers who apply more effort against each other than they are able to use in stimulating their own brand movement.

The circumvention of the wholesaler is practically forced on the great majority of manufacturers. The wholesaler who takes an exclusive agency for a manufacturer is forced to obtain distribution as a means of securing bigger profit, but

relieves the manufacturer of considerable responsibility. In an urban center where one wholesaler has the majority of the business it is unwise to have an exclusive agency for competing brands. Thus Joseph L. Manning Company, the largest tobacco wholesalers in New England, have the exclusive agency for Blackstone andCreme cigars, one of the better grade and one of the cheaper, in the Boston district. No other manufacturer can offer any inducement which will equal the amount made on exclusive brands and therefore, to get cigars into dealer's stores one is assured of not only lack of cooperation from the wholesaler but an indirect opposition. A manufacturer then finds it rather poor business to give a wholesaler with exclusive brands or even those without them, any concession beyond the fair amount to handle the expense of the service which is supplied.

The manufacturer finds it best to send his salesmen directly to the retail dealer. It would be advisable to go around the retailer as well as the wholesaler but the retailer, though another bottleneck, is more pliable and can be indused to use the little brand sales power which he has. For this purpose manufacturers have their own sales agencies which tend to eliminate the wholesalers' functions. The salesmen are, therefore, selling and distributing to retailers and in the great part, forcing the merchant to sell

to consumers to rid himself of what he has bought.

On the following pages the extent to which various outlets of distribution have been employed is given, as reported in the 1929 Census of Manufacturers. The tendency since 1929 would be to distribute more through wholesalers, if the cigar industry is narrowing down to a few national brands. The actual situation is the reverse. Manufacturers' sales agents, increased sales forces, exclusive districts for commission salesmen and increased display expenditures have indicated that the trend is for the local brands to draw the national brands down into a local fight and crush the expenditure for national advertising by running up the local sales expenses.

The distribution through wholesalers has fallen considerably in Boston as a representative example of what is taking place throughout the country. Alles and Fisher, Inc., sell over 50% of their cigars directly to the retailers; The General Cigar Company with its five-cent cigars (White Owl, Wm. Penn) has intensified its retailer sales campaign; Bayuk Cigars, Inc. in breaking Havana Ribbon Cigars into the Boston market are selling almost entirely to the retailers; R. G. Sullivan are selling 7-20-4 and Dexter cigars directly to retailers, but in many cases giving the order to the wholesaler. Those cigar manufacturers who are advertising considerably have found that

IG 1655 For release on November 21, 1931.

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

WASHINGTON

DISTRIBUTION OF SALES 1929

of the

MANUFACTURING PLANTS IN THE CIGAR INDUSTRY

Sales to wholesalers make up two-thirds of the value of the sales by manufacturing plants engaged primarily in making cigars. Data collected for the Census of Distribution show that of the total sales by these plants in 1929, amounting to $311,663,000, 65.5%, or $204,249,000, was sold in this way.

Manufacturing plants sold 20.0%, or $62,271,000 worth of goods to their own wholesale branches. This report does not show the distribution of sales of these branches.

Other sales were made as follows: to retailers, 12.7%, or $39,701,000; direct to household consumers, 0.8%, or $2,627,000; and to industrial and large consumers, 0.4%, or $1,105,000.

Of the above sales, except those to manufacturers' own sales branches or to household consumers, $18,150,000 was made through manufacturers' agents, selling agents, brokers, or commission houses. Two hundred eight manufacturing plants sold through such agents, 97 selling their entire output in this way.

This report shows the sales channels used by the 1,603 manufacturing plants engaged primarily in the manufacture of cigars.

A Census of Manufactures report giving statistics on production, wages, wage earners, etc., for the tobacco industries will be issued later by the Bureau of the Census.

FOR RELEASE ON NOVEMBER 21, 1931

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WASHINGTON

DISTRIBUTION OF SALES 1929
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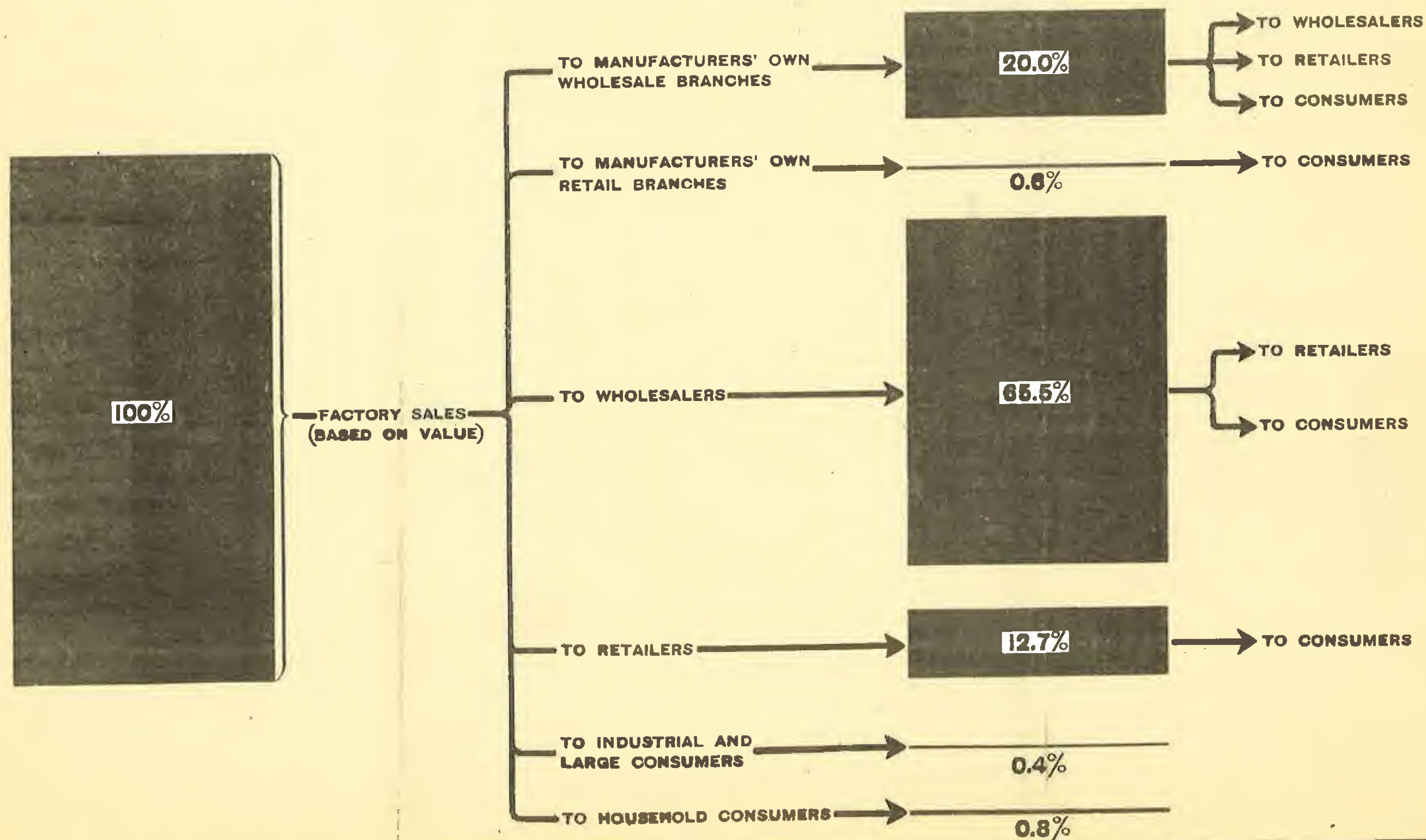

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Summary - Distribution of Sales, 1929, of the Manufacturing Plants engaged primarily in the production of Cigars

	Selling value (f.o.b.factory)	Percent of sales	Number of plants: Total	Number of plants: Selling exclusively as indicated
Total	$311,663,000	100.0%	1/ 1603	---
Sales to manufacturers' own wholesale branches 2/	62,271,000	20.0%	126	28
Sales to manufacturers' own retail branches	1,710,000	0.6%	80	29
Sales to dealers:				
Wholesalers	204,249,000	65.5%	774	337
Retailers	39,701,000	12.7%	792	360
Sales to consumers:				
Industrial and large	1,105,000	0.4%	95	28
Household	2,627,000	0.8%	279	114

Of the above sales, except those to manufacturers' own sales branches or to household consumers, $18,150,000 was made through manufacturers' agents, selling agents, brokers, or commission houses by 208 manufacturing plants, 97 of which sold their entire output in this way.

1/ The total number of manufacturing plants engaged primarily in the manufacture of cigars is 1,603. Inasmuch as some plants sell to more than one type of customer, this figure is less than the total of the figures shown below it.

2/ This report does not show the distribution of sales of manufacturers' own wholesale branches.

NOTE: Similar reports for 160 other industries have already been published. Reports for 60 additional industries are in course of preparation. Write to the Census Bureau for those that are of interest to you. They are free.

forcing the cigars on to the retailer's counter is equally important in producing sales. Many of those who cannot or do not advertise, do not feel as though it is worth while to sell to retailers through salesmen.

Manufacturers' own retail outlets are not very practical. Estabrook and Eaton, Inc., (Rockefeller and E. & E. cigars) maintain a store in downtown Boston as they do not sell to the chain stores. S. S. Pierce Company, in the nine retail food stores which they operate, sell 20% of their output of Overland cigars to their food customers. Both of these previously mentioned brands have a reason to be distributed through retail stores owned by the manufacturer, but as a general rule it is unprofitable and impractical.

Distribution by mail order has been successfully attempted by the Gammon Company of New York. Listing cigars in mail order catalogues is not out of the way if foods and similar commodities are to be ordered in this manner. Nevertheless, cigars apparently do not sell through this medium and it is just as well for tobacco outlets that they do not.

FIXED COSTS IN PRICE SETTING The large cigar manufacturer must have a large store of the tobacco. Tobacco sales begin in the spring of the year and

forecasting of crops indicates what is to be available for purchase. Certain years poor crops result and other years there is a bountiful supply of fine tobacco from Summatra, Cuba, Porto Rico and the United States. The manufacturer who needs a certain grade of tobacco cannot rely on the crop and as a result, large stores of tobacco are maintained by them so that the higher prices of good tobacco in poor crop years will not affect them as much.

Tobacco inventories are therefore very high. A manufacturer of 40,000,000 cigars per year often carries a fully-owned inventory of $750,000 in tobacco. At an average cost of $.75 per pound, there are 1,000,000 pounds, which is enough to make the year's requirement of 40,000,000 cigars. (The gross weight of tobacco is 25 pounds per 1000 for high grade cigars and, when manufactured, results in 17 pounds per 1000.) Therefore, interest at 6% on carrying the inventory amounts to $1.12 per 1000.

The government does its share in taxing cigars. In a ten-cent cigar the requirement for Summatra wrappers is about 2 pounds per 1000 and the import duty is $2.275 per pound, yielding a tax of $4.55 per 1000 cigars. Havana filler tobacco, whether unstripped or stripped, yields a tax of $6.40 per 1000 cigars. (Duty is $.28 per pound unstripped and $.40 per pound stripped, on Havana filler which is assumed to loose 30% of its wight when the stem is

removed.) On domestic tobacco there is no tax, but the final tax for Class C cigars is $5.000 per 1000 for internal revenue. The total tax for a 10¢ cigar is, therefore, $15.95 per 1000.

The cost of the actual tobacco in a good Class C cigar may be estimated as follows:

2 pounds of Summatra wrappers	@ $3.00	$6.00
6 pounds of Connecticut binders	@ .60	3.60
17 pounds of Havana filler	@ .60	10.20
25 pounds of tobacco per 1000 cigars		$19.80

In determination of the basic cost in cigar manufacture in this specific class of machine-made cigar, the following expenses are incurred:

Tobacco cost	$19.80
Taxes	15.95
Interest on inventory	1.12
Manufacturing cost	10.15
	$ 47.02

There are no administrative or sales expenses included in this figure, and factory overhead is omitted.

Turning to the cheap cigar of large size we have a very different set of costs. Cheap cigars may be filled partially with scrap or ground up tobacco, though not with the trimmings which the cigar machine leaves in cutting wrappers and binders to size. The tobacco used is not all grown domestically and inventories are much smaller, due to the cheaper tobacco

and the ease with which it may be obtained.

The elementary cost of a five cent cigar would, therefore, be approximately as follows:

2 pounds of cheap Summatra wrappers	@ $1.50 -	$3.00
2 pounds of Penn. or York State binders	@ .30 -	.60
14 pounds of stripped filler and scrap	@ .25 -	3.50
Internal revenue tax and duty on imported tobacco		8.50
Manufacturing cost		10.15
Cost per 1000 of producing five cent cigars		$25.75

<u>MANUFACTURERS' SELLING PRICES</u> The cigar industry boasts of having fixed prices and a set of discounts which are open to everyone. The established price per 1000 cigars has been held rather high for a long period, but the savings in machine manufacture, coupled with a drop in all expenses, dropped the prices to new low levels which are upheld at present.

The five cent cigar, often retailing at 6 for 25¢, ranges in price between $35.00 and $40.00 per 1000. The ten cent cigar, sometimes retailing at 3 for 25¢ and 5 for 40¢, ranges from $72.00 to $85.00 per 1000. The 2 for 25¢ cigars sell for $85.00 to $100.00 per 1000. These are not net prices and the following discounts are popular in Boston:

(1) 10% for 1500 cigars or over, plus 2% for cash.

(2) 8% " " " " " " " " "

(3) 5% for 2500 cigars or over to wholesalers

(4) 5% to retailers for cash

(5) 2% to retailers with 10 days credit

(6) 5% for 1500 plus; 2% for 500 plus; in addition to 2% for cash.

The effect of the discount on the price of the cigar is very unique. With certain discounts, as illustrated above, it is easy to tell the parties to whom the manufacturers wish to sell cigars.

Discount #1 is for sales to wholesalers and large retailers, and has resulted in the wholesalers giving away 7% or 8% to the retailer, due to competition. A large discount of this type was of little value in making a wholesaler stress a given brand and Alles and Fisher, one of its users switched to discount #6 which is directed toward sales to retailers and which gives the wholesaler small margin to turn over his goods. Discounts # 2 and #3 are to encourage wholesale distribution, assuming there is a demand for the product, with price as a minor factor. Discounts #4 and #5 are to compete with wholesalers for retail sales.

Discounts are slowly coming to mean less. Goods are bought on net prices and the cigars are sold to the consumer before payment for them is usually required. The cash discount still retains its value to stimulate prompt payment, but the higher discounts are merely ways of shielding the higher prices of various

brands of cigars. Therefore, it is found that with more intimate contact with the retailer the manufacturer can offer better prices than the wholesaler and on account of arranging discounts in a correct manner both the General Cigar Company (Bieringer-Hanauer Company, Boston agents) and Alles and Fisher, Inc., have found that a larger order, often amounting to twice the usual, can be obtained from a retailer.

With discounts the manufacturer is pegging the profits of all of the lines of distribution, as cigars have become a necessity in stores. There is said to be no bargaining or chiselling in cigar sales, but there are so many other means of dodging the price standards that they remain as wall to hide behind.

CREDIT AND COLLECTIONS In selling to the retailer some party has the difficult task of collecting the money for the cigars. The manufacturer can sell to a wholesaler or a chain store and get his checks promptly and with little worry. From the credit point of view distribution directly to the retailer is risky and expensive, but sales promotion comes initially and the burden falls on the salesmen to collect the difficult accounts.

Being on the good side of large merchants and dealers in cigars insures reliable orders and assured payments. The fact that the chain cigar store can hold

distinctly low prices swings a great volume of the business to them and the manufacturer's security is increased. Cut prices below actual selling costs, besides cheapening the product, produce unbalanced and unsteady income. The manufacturer can be more or less strict in his credit policies as he can swing sales to parties whose risk is negligible. Cigars are easily sold and bring cash receipts to the retailer. If the cash from sales is not received, the manufacturer has nothing in property to take back.

Concise and definite policies of credit can therefore be adhered to by the cigar manufacturer in dealing directly with the small retailer. To collect cash for a sale to a retailer is hardly attempted except where the retailer is a bad risk. The retailer can ring up the jobber anytime and get his cigar supplies, but the jobber's men come so often to him that they may find out his credit standing easily. The manufacturer is faced with sending its salesmen once a month to the outlets which are sold directly and because of the difficulty in finding out how big a risk each individual is, they resort to the safety in a highly spread risk. The best method apparently seems to be to give a retailer another order of cigars only after he has paid for the last order he received, showing him that he is doing business on the manufacturer's money. The unwillingness to pay can be broken down

by stressing the goodwill which will be lost if the storekeeper cannot supply his clients with their cigar needs.

Collections from small dealers by manufacturer's salesmen in the Boston district may amount to $500,000 for one company. Cost of collecting such an amount may run into excessive expense and credit policy with small retailers should be firm and convenient to the manufacturer.

<u>BRANDS</u> The selection of a brand name is very difficult. Most of the names were selected before the appreciation of the value of advertising and as a result, cigars in different classes may be made by one manufacturer without mutual assistance. All the products of a manufacturer should build up his good will and not appear as competing articles or as distinct in themselves. If one brand would be enough for a manufacturer to do business with, the problem would be solved, but to support the existing conditions of sales in varied classes the manufacturer must name his brands for the best good of his company.

If two products of a company, one superior and the other inferior, are classed under the same brand name, the more expensive article looses its dignity of brand name and sales increase in the cheaper grade at the expense of the superior grade, with a resultant fall in income. In advertising it

is poor policy to stress two different brands at the same time because of a lack of specific centralized aim. The compromise brand name which will produce general company good will and allow cheaper and cumulative advertising is, therefore, sought.

In cigar marketing the attempt has been made to satisfy the conflicting reactions caused by manufacture of a high grade and a cheap cigar by the same company. Where the actual size of the cigar is different but the quality is approximately the same, one brand name may suffice for many sizes; i.e., The General Cigar Company's "Robert Burns" and "Little Bobbie", the Bayuk Cigars,Inc. brands "Philadelphia" and "Little Phillies"; G. W. Van Slyke and Horton's "Peter Schuyler" and "Peter Schuyler Briefs"; Alles and Fisher,Inc. brands "J.A. londres", "J. A. perfecto" and "J.A. pony". Where there are two distinct brands or more, the manufacturer's name has been played up in conjunction with the brand names; e.g. R. G. Sullivans "7-20-4" and "Dexters"; General Cigar Company's "Robert Burns", "White Owl", and "Wm.Penn"; Bayuk Cigars "Philadelphia" and "Havana Ribbon"; A.& F.'s "J.A." and " '63s".

Nevertheless, there is a group of manufacturers who feel as though concentration in one class of cigars is quite sufficient for successful

operation. One brand name, if supported well, is productive of more profit than a number of brands with greater total volume. Establishment of the single brand leads to a supremacy in one corner of the field rather than an attempt to maintain success in all branches of cigar selling. Some of the companies which are concentrating on one brand are as follows: G. H.P Cigar Company, on "El Producto", American Cigar Company on "Cremo, ConsolidatedCigar Company on "Dutch Masters", A. Santaella & Company on "Optimo", E. Regensburg and Sons on "Admiration".

The slow evolution to the single brand name is taking place. Where a company is so large that they can support two brands with separate advertising and salesmanship, as the General Cigar is doing with the Robert Burns and White Owl brands, the combination may be maintained profitably.

The internal relax of emphasis on the weaker of a company's brands has become a necessity in many cases and when local companies are equipped with a single brand to fight for, rather than a group, they will be much more formidable opponents in the narrowing down of cigar manufacturers to a few national companies.